Government of Saskatchewan

Annual Report 2003 - 2004

Saskatchewan Justice

Public Guardian and Trustee of Saskatchewan

104-06782/

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LETTER OF TRANSMITTAL

July 14, 2004

Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

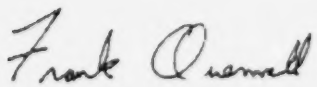
May it Please Your Honour:

I have the pleasure to transmit to your Honour the Annual Report of the Public Guardian and Trustee of Saskatchewan for the year ending March 31, 2004.

I am pleased to report that the financial statements for the above fiscal year have now been finalized and audited.

The staff of the Public Guardian and Trustee are to be commended for their hard work and commitment to their clients.

Respectfully submitted,



The Honourable Frank Quennell, Q.C.
Minister of Justice and Attorney General

LETTER OF TRANSMITTAL

July 14, 2004

The Honourable Frank Quennell, Q.C.
Minister of Justice and Attorney General

Dear Sir:

I have the pleasure to submit for your consideration the Annual Report of the Public Guardian and Trustee of Saskatchewan for the year ending March 31, 2004.

The Office has made major progress in a number of areas. I refer you to the goals and the accomplished results in this report.

Respectfully submitted,

Ronald J. Kruzeniski, Q.C.
Public Guardian & Trustee

MANDATE OF THE PUBLIC GUARDIAN AND TRUSTEE

The mandate of the Public Guardian and Trustee is to protect vulnerable persons. The primary functions of the Office are:

- protecting property rights of children under the age of 18;

- administering the property and finances of adults who are incapable of managing their financial affairs;

- administering the affairs of deceased persons; and

- holding and administering unclaimed property.

WHAT DOES THE OFFICE DO?

For Children under the Age of 18

- Hold funds for children under the age of 18;
- Monitor the actions of executors and trustees managing property for children;
- Manage children's interests in estates, lotteries, insurance policies and permanent impairment benefits;
- Approve settlements for personal injury claims and fatal accident claims and manage the proceeds of those claims;
- Approve legal fees for settlements of personal injury claims or fatal accident claims;
- Consent to the sale, transfer or lease of real estate where children have an interest.

For Persons who are not Capable of Managing their own Financial Affairs

The Public Guardian and Trustee can be appointed as property guardian in two different ways:

1. A Certificate of Incompetence under *The Mentally Disordered Persons Act*
   - A medical doctor issues a Certificate of Finding of Incompetence;
   - A Chief Psychiatrist issues a Certificate of Incompetence;
   - The Public Guardian and Trustee issues an Acknowledgement to act;
   - The Public Guardian and Trustee has up to one year to issue an Acknowledgement after the date of the Certificate of Incompetence.

2. A Court Order under *The Adult Guardianship and Co-decision-making Act*
   - Under *The Adult Guardianship and Co-decision-making Act*, a court can appoint the Public Guardian and Trustee as Property Guardian, if no one else wants to act or a family is in dispute.

When the Public Guardian and Trustee acts as property guardian, the Office is responsible for managing all the financial affairs of the person and does some or all of the following:

- Ascertains the assets and debts of the person;
- Determines the monthly income and expenses of the person;
- Manages any personal property or real estate for the person;
- Places funds of the adult in the common fund;
- Makes any claims to recover funds on behalf of the person and if necessary commences a legal action;
- Defends or settles claims against the person;
- Arranges for the preparation of income tax returns.

The Public Guardian and Trustee may also act as property co-decision-maker if appointed by the court.

For Deceased Persons' Estates

- Usually the family will administer the estate of a deceased person but sometimes there is no one to act as administrator or the family is in dispute;
- In these instances, the Public Guardian and Trustee can apply as Official Administrator;
- If family members are disputing the validity of a Will, the Public Guardian and Trustee can be appointed as administrator pending the outcome of the litigation.

When the Public Guardian and Trustee is appointed Administrator, the Office is responsible for dealing with all the financial affairs of the deceased and does the following:

- Ascertains all the assets and liabilities of the deceased;
- Determines the beneficiaries of the deceased estate;
- Pays all income taxes owed by the deceased if there are sufficient funds;
- Pays all liabilities of the deceased if there are sufficient funds;
- Distributes the estate to the beneficiaries according to the will or *The Intestate Succession Act*.

PRINCIPLES BY WHICH THE OFFICE OPERATES

The Public Guardian and Trustee operates according to the following guiding principles:

- Clients are entitled to a continuum of services from the Public Guardian and Trustee depending on their needs and abilities.
- The Public Guardian and Trustee, although being easily accessible, should be the appointment of last resort.
- Clients of the Public Guardian and Trustee should be able to obtain the service of the Office in the simplest way possible.
- Every client is entitled to quality and timely service.
- The Public Guardian and Trustee shall protect the assets of each client and maximize the rate of return on funds invested.
- Every service of the Public Guardian and Trustee should be charged for on a cost recovery basis and where full cost recovery is not reasonable, there should be a partial cost recovery.

2003-2004 INFORMATION

As of March 31, 2004, the Public Guardian and Trustee provided services to:

Adults	1,127
Adults where the Office may monitor	1,652
Children for whom we hold funds	1,660
Children whose property rights we may monitor	2,284
Estates of deceased persons	692
Total	7,415

- As of March 31, 2004, the Office held assets in trust for clients in the amount of approximately $139 million.

- The annualized average rate of return realized for clients with money in the common fund for the twelve months ended March 31, 2004 was 4.8 per cent.

  The 5-year average rate of return is 7.07 per cent.
  The 10-year average rate of return is 9.30 per cent.

2003-2004 OBJECTIVES

- Propose implementation of a program of public personal guardianship for April 1, 2004, and request resources to fund the program and proclamation of section 18 of *The Public Trustee Amendment Act, 2001*.

- Obtain the resources to fund a program of investigation of financial abuse of vulnerable persons and proclamation of section 19 of *The Public Trustee Amendment Act, 2001*.

- Propose and promote amendments to *The Children's Law Act* regarding guardianship of children, which Act it is hoped will be introduced in the spring of 2004.

- Implement *The Powers of Attorney Act, 2002* and *Regulations* as it pertains to the Public Guardian and Trustee.

- Participate in a review of *The Trustee Act*.

- Participate in a process to update *The Administration of Estates Act* and consolidate *The Crown Administration of Estates Act*, *The Devolution of Real Property Act* and *The Absentee Act* and it is hoped that legislation would be before the Legislative Assembly in the spring of 2004.

    - Propose, promote and participate in the development of *The Personal Powers of Attorney Act*, which Act it is hoped will be before the Legislative Assembly in the spring of 2004.

Performance Measures and Targets

- The performance target:

Measure	2002-03 Baseline**	2003-04 Actual***	2004-05 Target****
Per cent difference between the rate of return on client assets invested by the Office of the Public Guardian and Trustee and the benchmark identified in the Investment Policy*	0.3%	-0.9%	0.0%

***The goal is to meet or exceed the benchmark established in the investment policy. The benchmark is derived from a series of market indicators for investment returns. It is usually a positive number. This performance measure strives to meet the benchmark, which is in effect a very positive result.**

****In 2002-03, the benchmark was -6.2%, the actual performance was -5.9%; thus resulting in a difference of 0.3%.**

*****In 2003-04, the benchmark was 19.1%, the actual performance was 18.2%; thus resulting in a difference of -0.9%.**

******It is proposed for 2004-05, to amend the measure to take into account a 4 year period rather than a 1 year period of time. This better reflects the investment policy and the goal of obtaining returns for clients on a long term basis.**

2003-2004 ACTIVITIES AND RESULTS

- A program of personal guardianship has been proposed but no financial resources have been allocated and thus, section 18 of *The Public Trustee Amendment Act, 2001* has not been proclaimed.

- A program of investigation of financial abuse has been proposed but no financial resources have been allocated and thus, section 19 of *The Public Trustee Amendment Act, 2001* has not been proclaimed.

- Proposals for amendments to *The Children's Law Act* have been made but the Act has not yet come to the Legislative Assembly for consideration.

- *The Powers of Attorney Act, 2002* and *Regulations* were made effective April 1, 2003, and provisions of that Act that impact the Public Guardian and Trustee were implemented in 2003.

- A review of *The Trustee Act* has not yet begun.

- The review of *The Administration of Estates Act* and consolidation of *The Crown Administration of Estates Act, The Devolution of Real Property Act* and *The Absentee Act* has not yet begun, although a minor amendment to *The Administration of Estates Act* was passed by the Legislative Assembly in the spring of 2004.

- Amendments have been prepared to *The Powers of Attorney Act* that would allow individuals to name someone to look after personal, residential and medical matters when they became incapable of doing it themselves. The Legislative Assembly passed this legislation in the spring of 2004.

- The Office's computer system (Guardian) versions 5.2 to 5.6 were implemented and provided improved functionality. The Guardian system still requires enhancements and upgrades to keep pace with the demands of the Office.

2004-2005 OBJECTIVES

- Propose implementation of a program of public personal guardianship for April 1, 2005, and request resources to fund the program and proclamation of section 18 of *The Public Trustee Amendment Act, 2001*.

- Obtain the resources to fund a program of investigation of financial abuse of vulnerable persons and proclamation of section 19 of *The Public Trustee Amendment Act, 2001*.

- Meet with the Department of Indian and Northern Affairs Canada to discuss areas of co-operation and collaboration on issues within the mandate of the Public Guardian and Trustee.

- Propose and promote amendments to *The Children's Law Act* regarding guardianship of children, which Act it is hoped will be introduced in the spring of 2005.

- Participate in the development of *The Powers of Attorney Regulations*.

- Implement *The Powers of Attorney Regulations* as they pertain to the Public Guardian and Trustee.

- Propose, promote and participate in a review of *The Trustee Act*.

- Participate in a process to update *The Administration of Estates Act* and consolidate *The Crown Administration of Estates Act, The Devolution of Real Property Act, The Absentee Act* and *The Intestate Succession Act*.

    - Propose, promote and participate in the development of *The Co-ownership Act* for the spring of 2005.

TRENDS AND ISSUES

Aging Population

Saskatchewan's population is aging. According to the 2001 Census, over one in eight of Saskatchewan's citizens were 65 or older. The population 65 and older will continue to increase as the baby boomer generation matures, potentially to greater than one in six Saskatchewan people by 2016. Meanwhile, the number of those over 80 (the citizens with the greatest need for guardianship and estate management) has increased even more dramatically.

It is difficult to predict, but our aging population will probably result in the Public Guardian and Trustee being appointed as property guardian for more and more senior citizens. Seniors may also live longer under guardianship. The workload of the Office, and hence the need for additional resources and for qualified staff, will increase as a result. At the same time, the Office's ability to meet its fiduciary and other obligations for each and every file and for every decision will be stretched.

Increasing Aboriginal Population

The proportion of the population that is Aboriginal will increase dramatically over the next 10 to 20 years. According to some projections, Aboriginal people could represent as much as 20% of the provincial population by 2018. In addition, the off-reserve Aboriginal population is growing at a faster rate than the on-reserve population.

The off-reserve Aboriginal vulnerable adult population may have unique estate needs and issues. The Public Guardian and Trustee may need to develop policies that deal with these special needs and circumstances.

Abuse of Senior Citizens

If you talk to doctors, lawyers, nurses, psychologists, social workers and other human service providers, they will probably be able to tell you of at least one case of physical, mental or financial abuse of a senior citizen. Physical and sexual abuse are obviously very serious, but financial abuse can be just as harmful to a senior citizen.

There are no definitive statistics on its occurrence, but various studies have shown that between 1-2.5% of senior citizens are financially abused in Canada every year. This means that there are perhaps 3,000 cases of financial abuse of seniors in Saskatchewan in any given year, maybe even more. If the average loss were $10,000, this would mean that Saskatchewan seniors lose $30 million a year because of financial abuse. One recent B.C. study found that the average loss was actually around $20,000, meaning that the total loss for Saskatchewan seniors may be much higher than $30 million.

Financial abuse results in lost savings. It can mean that a nest egg set aside for retirement is gone. Once it occurs, it is difficult to get the lost property or money back. The Public Guardian and Trustee will take all the steps possible to develop actions to restore senior citizens to their original financial position. The Public Guardian and Trustee will propose an amendment to the existing law in 2005 that would create a presumption for all financial and property transactions done within one year prior to a vulnerable person's coming under property guardianship. The presumption will place the onus on the other party to prove that s/he reasonably believed the vulnerable person was capable. Such a presumption will ensure the protection of vulnerable people, who are likely suffering some form of incapacity before they come under guardianship, while allowing legitimate transactions to go ahead.

Joint Ownership

Many people in Saskatchewan place property in joint names as part of estate planning. They want to reduce their estate fees when they die.

The problem with joint tenancy is that both joint tenants can do anything they want with the property short of selling it. A son or daughter may put their parent in a home and then rent out the jointly held property for their own profit. If it is a bank account, one joint owner may withdraw all of the funds.

Further, joint tenants have a right of survivorship, so that the last surviving joint tenant takes it all. One child who is in a joint tenancy with his or her parent may become the sole heir, supplanting any other children and potentially the wishes of the parent; or a bank account set up for the convenience of an older person may result in the surviving joint owner taking the entire contents of the account on the older person's death.

The Public Guardian and Trustee is working actively to promote awareness of the problems of joint ownership, and is partnering with other government agencies, the legal community and the community at large to develop alternatives to joint ownership. Where joint ownership is used, the Public Guardian and Trustee is urging professionals to consider other options first.

One example of an alternative to joint ownership of a bank account is that the care-giving son or daughter could be given signing authority instead. For real estate, alternatives might include either not placing the property in joint tenancy, requiring a regular accounting from all joint tenants for any profits they have accrued from the property, or requesting that a co-tenant sign a declaration of trust.

The Public Guardian and Trustee is proposing a comprehensive review of the law of co-ownership in the province, so that legislation could be formulated that would better protect vulnerable adults or others from abuse connected with joint tenancy.

Other Legal Changes

Over the next few years a number of areas of the law relating to estates and estate management need to be changed in Saskatchewan. The law of trusts will be reviewed. The law relating to administration of estates will also be reviewed in the near future.

The proposed amendments to the law of trusts could have a potentially large impact on the Public Guardian and Trustee. Changes to the law of administration of estates could increase the workload of the Office.

Bonding and Security of Guardians

The Adult Guardianship and Co-decision-making Act requires that all property guardians furnish security in the form of a bond equal to the value of the vulnerable person's estate. Security is a way to protect the estate of an infant or vulnerable adult. It offers some assurance that the infant or vulnerable adult will be able to recoup some of the value of the estate should anything happen to the estate.

The Public Guardian and Trustee views the provision of security as an essential part of adult guardianship, and has had good success in convincing the courts and lawyers that security should be provided in most cases. The Office now requests bonds on most property guardianship applications. In many cases a personal bond will be acceptable. Sometimes the applicant requires one or two sureties. Occasionally the applicant requires a commercial bond.

Living in the Community

Only 5% of seniors in Canada lived in institutions in 2001 (see Figure 1). 35% of seniors lived alone in a domestic setting, 37% with a spouse and 13% with children. The number of seniors with serious and chronic health conditions living in institutions may rise, however, in the near future. The majority of persons with disabilities also now live in the community.

Figure 1: Living Arrangements of Canadian Seniors - 2001 Census

Source: Statistics Canada, 2001 Census

Many of the Public Guardian and Trustee's clients therefore live in the community. This increases the need for personal guardians to assist vulnerable adults with personal decisions, and to be aware of the personalized needs of each client and seek ways to preserve their independence.

A Need for Information

At present, other human service providers, professionals and the public at large require more information on issues affecting vulnerable adults. This affects their ability to respond to certain issues, such as the abuse of the senior citizens or problems associated with joint ownership. These people generally do want to know more, in order to improve their responses.

In co-operation with the Regina Qu'Appelle Health Region, the Public Guardian and Trustee chaired a conference of health professionals and interested government human service providers in April 2004. The conference dealt with a variety of issues, including:

- Financial abuse;
- Property guardianship;
- Personal guardianship;
- Powers of attorney;
- Health care directives;
- Capacity issues; and
- Other related topics.

Over 250 people attended. The presentation of the information was well received, with many questions asked and answers given.

The Public Guardian and Trustee will work in conjunction with other government and community organizations to continue to provide information to interested professionals and the public.

RISK MANAGEMENT

The Public Guardian and Trustee continues to identify and manage risk. The Office partners with the Department of Justice, executive government and other government agencies to reduce or manage external risk.

Market fluctuations could have an adverse impact on the Public Guardian and Trustee's Common Fund. The Public Guardian and Trustee attempts to minimize this impact through:

- A balanced investment policy which is reviewed annually;
- An investment manager that makes all investment decisions;
- An investment consultant who advises on the performance of the investment manager;
- An investment advisory committee that reviews the performance of the investment managers and changes to the investment policy; and
- A policy that provides for the distribution of capital gains over a 4 year period.

Other internal risk factors include negligent administration of a client's affairs, breach of the fiduciary obligations, fraud, errors in recording income or expenses and loss of assets.

These are the risks that any organization that holds funds and manages assets has. They are also the risks that every Public Guardian and trustee in Canada will have. The greatest risk is to ignore these risks and the preferred approach is to recognize them as risks and to take steps to minimize the risk and do all things in one's power to attempt to insure that such events do not occur. The Public Guardian and Trustee in an attempt to minimize these risks to the greatest extent possible has done the following:

- provides training at monthly meetings;
- ensures that staff attend relevant conferences;
- has legal counsel review actions or decisions;
- updates policies and procedures;
- conducts an internal review on a monthly basis;
- annual review by the Provincial Auditor;
- a series of tight controls surrounding the issuing of cheques and the processing of expenses;
- greater physical security in the office;
- prescribed procedures for the opening of mail and the handling of cash and other assets;
- procedures for the recording of assets on the office's computer system;
- maintains and updates controls around the recording of income and expenses;
- creates rules regarding the taking and recording of inventory;
- secures personal property when stored at the office;
- places insurance on assets; and
- utilizes the computer system to allow only authorized staff to perform certain functions.

As stated above, the prudent approach is to recognize the risks and then take as many steps as is possible to minimize those risks.

FEES

Under *The Public Guardian and Trustee Act* and Regulations and *The Administration of Estates Act* and Regulations, the Public Guardian and Trustee charges fees for services.

For Children

- 1/12th of 1% per month, of the amount held for the child.

For Adults

- 5% or 7% of income
- 1/12th of 1% per month, of the value of the assets managed for adults.

For Estates

- A percentage of the value of the estate;
  - 7% on first $50,000
  - 5% on next $50,000
  - 4% on excess over $100,000

  with a minimum fee of $600.

RELEVANT LEGISLATION

Absentee Act, 1996
Administration of Estates Act
Administration of Estates Regulations
Adult Guardianship and Co-decision-making Act
Adult Guardianship and Co-decision-making Regulations
Children's Law Act, 1997
Crown Administration of Estates Act
Dependants' Relief Act, 1996
Devolution of Real Property Act
Escheats Act
Family Maintenance Act, 1997
Fatal Accidents Act
Intestate Succession Act, 1996
Mentally Disordered Persons Act
Powers of Attorney Act, 2002
Powers of Attorney Regulations
Public Guardian and Trustee Act
Public Guardian and Trustee Regulations, 1999
Queen's Bench Act, 1998
Survival of Actions Act
Survivorship Act, 1993
Trustee Act
Variation of Trusts Act
Wills Act, 1996

The legislation is available on the Queen's Printer web site at, www.qp.gov.sk.ca.

ACKNOWLEDGMENT

The Public Guardian and Trustee acknowledges and thanks the many staff members who have continued to provide courteous, effective and efficient service to clients. Without their expertise and commitment, we would not have been able to attain our many goals for the 2003-2004 fiscal year.

FINANCIAL STATEMENTS

The financial statements on the following pages provide an account of the financial activities of the Public Guardian and Trustee of Saskatchewan for the year ended March 31, 2004.

N:\Kmignon\Kim M\Provincial Auditor and Annual Report\2004 Report\PGT Annual Report 2003-2004
June 23, 2004

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Guardian and Trustee for Saskatchewan as at March 31, 2004 and the statements of common fund undistributed earnings and changes in trust funds for the year then ended. The Public Guardian and Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Guardian and Trustee as at March 31, 2004 and the results of its operations and the changes in its trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
June 16, 2004

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
BALANCE SHEET

MARCH 31, STATEMENT 1

(in 000's)

	2004	2003 Restated (Note 9)
ASSETS		
Cash and Due from General Revenue Fund (Note 5)	$ 2,494	$ 3,190
Accrued Interest Receivable	797	860
Common Fund Securities (Schedule 1 & Note 4)	116,577	103,828
Individual Trust Assets (Schedule 2)	19,066	16,620
TOTAL ASSETS	$ 138,934	$ 124,498
LIABILITIES		
Accounts Payable (Note 6)	$ 2,103	$ 2,336
Mortgages and Loans Payable	310	256
	2,413	2,592
Trust Equity		
Trust Equity	126,970	127,547
Undistributed Earnings/(Losses) (Statement 2)	9,551	(5,641)
	136,521	121,906
TOTAL LIABILITIES AND TRUST EQUITY	$ 138,934	$ 124,498

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

STATEMENT OF COMMON FUND UNDISTRIBUTED EARNINGS

MARCH 31, STATEMENT 2

(in 000's)

	2004	2003 Restated (Note 9)
REVENUE		
Interest and Dividend Income	$ 4,112	$ 4,254
Realized Gains, Losses and Market Value Appreciation (Note 3)	14,582	(10,951)
	18,694	(6,697)
Less: Management Fees	(251)	(221)
Earnings Available for Distribution	18,443	(6,918)
Distributed Earnings		
Interest and Dividends	(3,920)	(3,497)
Realized and Unrealized Capital Gains	669	38
Undistributed Earnings Previous Year	(5,641)	4,736
UNDISTRIBUTED EARNINGS, END OF YEAR	$ 9,551	$ (5,641)

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

STATEMENT OF CHANGES IN TRUST FUNDS

MARCH 31, STATEMENT 3

(in 000's)

	2004	2003 Restated (Note 9) (Note 10)
Increase in Trust Funds		
Trust Funds Acquired		
Cash	$ 2,700	$ 3,254
Common Fund Earnings/(Losses) Available for Distribution	18,443	(6,918)
Other Amounts Received on Behalf of Clients	23,765	26,266
Total Increase in Trust Funds	44,908	22,602
Decrease in Trust Funds		
Trust Funds Released		
Cash	15,106	18,593
Payments Made on Behalf of Clients	17,076	18,296
Administrative Fees	2,374	2,463
Total Decrease in Trust Funds	34,556	39,352
Net Change in Non-cash Assets	4,263	(2,057)
Increase/(Decrease) in Trust Funds	14,615	(18,807)
Balance, Beginning of Year	121,906	140,713
TRUST FUNDS, END OF YEAR	$ 136,521	$ 121,906

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. Authority and Purpose

Effective April 1, 1984 the Office of the Public Guardian and Trustee of Saskatchewan was established pursuant to *The Public Trustee Act* and continued under *The Public Guardian and Trustee Act. The Public Trustee Act* was repealed and *The Public Guardian and Trustee Act* was proclaimed effective May 17, 2002.

Section 3(1) of *The Public Guardian and Trustee Act* states:

> 3(1) The Public Trustee is continued as a corporation sole under the name of the Public Guardian and Trustee of Saskatchewan.

Section 3(3) of *The Public Guardian and Trustee Act* states:

> 3(3) The public guardian and trustee is the successor in office to:
>
> > (a) the Official Guardian appointed pursuant to *The Infants Act*; and
> > (b) the Administrator of Estates appointed pursuant to *The Administration of Estates of Mentally Disordered Persons Act.*

Effective November 12, 1992, the Public Trustee became the official administrator for each judicial centre pursuant to *The Queen's Bench Act.* (Now *The Administration of Estates Act*)

Effective August 13, 2002, the Public Guardian and Trustee became responsible for holding property for persons whose whereabouts are unknown.

The mandate of the Public Guardian and Trustee is to protect vulnerable persons. The primary functions of the Office are:

(a) administering the property and finances of adults who are mentally incompetent;
(b) protecting property rights of children under the age of eighteen;
(c) administering the affairs of deceased persons; and
(d) holding property for persons whose whereabouts are unknown.

2. Scope of the Financial Statements

These financial statements reflect the assets and liabilities of estates and trusts under the administration of the Public Guardian and Trustee. In addition, these financial statements reflect the annual changes in those assets and liabilities including:

a) revenue earned on behalf of clients;
b) income received on behalf of clients;
c) new client account additions;
d) released client withdrawals;
e) payments made on behalf of clients; and
f) administration fees payable to the Public Guardian and Trustee.

3. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions in determining the reported amounts for assets and liabilities. Actual results could differ from management's best estimates, as additional information becomes available. The following policies are considered significant.

Common Fund Securities

The Public Guardian and Trustee Act provides as follows:

47(1) The Public Guardian and Trustee shall:

(a) place money received by the Public Guardian and Trustee pursuant to this Act, any other Act or court order in a common fund; and
(b) subject to the approval of the Investment Board, invest in the name of the Public Guardian and Trustee that part of the common fund which in the Public Guardian and Trustee's opinion is not immediately required for persons for whom the Public Guardian and Trustee holds funds.

Common fund securities, primarily bonds, debentures and shares are stated at market value. Market value is determined with reference to closing year-end sale prices from recognized security dealers. In the absence of recorded sales, market value is determined by reference to closing year-end bid and ask prices.

Short-term investments are stated at cost, which approximates market value.

Common Fund Income Recognition

Income earned on common fund securities is recorded using the accrual basis of accounting with amounts earned in the fiscal year but not received prior to the year-end reflected as accrued interest receivable.

Common Fund Distribution

Common fund investments generate interest, dividends, realized and unrealized capital gains (losses) income. Pursuant to section 5, 6 and 7 of *The Public Guardian and Trustee Regulations,* interest, dividends and gains/(losses) income earned on the common fund investments are to be calculated and distributed to client trust accounts after the end of each quarter. Section 6 and 7 outline how interest and dividends shall be calculated. Section 7 allows the Public Guardian and Trustee to set the amount of capital gains (losses) to be distributed.

As the investment accounts are stated at market value, the undistributed interest, dividends and capital gains (losses) for the quarter ended March 31 are included in the financial statements as part of the investment value and the undistributed client equity. These interest, dividends and capital gains (losses) amounts are distributed to the client equity accounts in the following year.

Individual Trust Securities

Individual trust securities, primarily term deposits, bonds and RRSP accounts are initially stated at **market value** at the date the Public Guardian and Trustee assumes control of the securities. For financial statement purposes, these securities are adjusted to the market value annually using the most recent valuation information available. Adjustments between the most recent available information and March 31 of each year for a particular client are likely minimal and would affect the value of the asset and the trust liability equally.

Shares are initially recorded at the market value at the time the public guardian and trustee assumes responsibility for control of the investment. Subsequent

increases or decreases in the market value are reflected in the trust accounts annually. Where a market value for a share is not readily available, the shares are recorded for accountability purposes at a nominal value of $1.

Other Assets

Other assets consist of commodities, real estate, personal property, life insurance policies, pension plans and annuity contracts and are stated at the following values:

(a) **Commodities** are stated at market value, which is determined annually with reference to the estimated final delivery price for the particular commodity.
(b) **Real estate,** including real estate holdings for infants where the Public Guardian and Trustee is appointed property guardian, are initially recorded at appraised value at the date the Public Guardian and Trustee assumes control of the asset or at cost if the real estate is purchased on behalf of clients by the Public Guardian and Trustee. Real estate values are adjusted to appraised values annually. If no valuation information is available, these assets are recorded at a nominal value of $1.
(c) **Miscellaneous Personal Property** is stated at amounts determined from information available to the Public Guardian and Trustee at the date the Public Guardian and Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of $1.
(d) **Life Insurance Policies** that carry a cash surrender value are stated at the cash surrender value as determined with reference to the most recent valuation information available prior to March 31. Policies that do not carry a cash surrender value are stated at a nominal value of $1.
(e) **Pension Plans and Annuity Contracts** are stated at residual value as determined with reference to the most recent evaluation information available prior to March 31 of each year. Pension plans and annuity contracts with no residual value are stated at a nominal value of $1.

Accounts, Mortgages and Loans Payable

Accounts, mortgages and loans payable represent encumbrances of client assets that are payable to independent third parties. These client obligations are settled, as client resources become available. In some cases, a client's liabilities exceed the stated value of their assets. These items are included as accounts payable and are paid, as the resources of the client become available to do so.

Administration Fees

Pursuant to the provisions of *The Public Guardian and Trustee Regulations,* the Public Guardian and Trustee may charge a fee for services performed in the management of client accounts. Such fees charged are payable to the General Revenue Fund of the Province of Saskatchewan.

4. Common Fund Securities

Common Fund Securities are invested through a single "common" fund to ensure consistency of return among clients. The investment objectives of the common fund are to achieve at least market returns with prudent risk diversification, with the potential for enhanced returns through active investment management for a majority of the portfolio. The Public Guardian and Trustee recognizes that there are diverse time horizons for its clients and that capital preservation is of primary concern. The employed investment objectives include a multiple asset, total return approach which values all types of investment income equally, a moderate income requirement to supplement other liquidity sources, a requirement for stability and maximization of return and a degree of inflation protection and capital appreciation.

The Public Guardian and Trustee recognizes that, by their nature, investments carry with them certain risks. The investment policy employed by the Public Guardian and Trustee is designed to mitigate these risks as much as possible by placing restrictions on the overall content and quality of the permitted investments. The following describes the risks associated with the investment portfolio, managed through an investment manager, by the Public Guardian and Trustee.

Price Risk

Price risk refers to the potential that the value of investments will fluctuate as a result of foreign currency, interest rate and general market changes.

The value of the common fund investments will fluctuate with changes in foreign currency, interest rate and general market changes. To mitigate these risks the Public Guardian and Trustee works with an investment manager that actively manages asset class allocations through a balanced fund approach. The employed investment policy limits foreign currency exposure by permitting a maximum of 40% foreign investment with a stated benchmark of 26% foreign investment. The

policy also limits market risk by permitting a maximum of 50% equity investment, including foreign equities with a benchmark of 40% equity investment. The Public Guardian and Trustee manages interest rate risk by limiting the quantity and quality of interest rate sensitive investments to a maximum of 100% of the portfolio with a benchmark of 60% fixed income securities. Market risk is managed by taking a conservative prudent approach to investment.

Credit and Liquidity Risk

Credit and liquidity risk arises from the potential for an investee to fail or for an issuer to default on its obligations to the common fund. The Public Guardian and Trustee mitigates this risk by limiting the quantity and quality of the permitted investments to high quality, highly rated equity investments and highly rated fixed income securities.

5. Due from the General Revenue Fund

The Public Guardian and Trustee's operating bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest earned on the balance attributed to the public guardian and trustee is calculated and paid quarterly into the Public Guardian and Trustee's operating account using the Government's thirty day borrowing rate and the Public Guardian and Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for the year-ended March 31, 2004 is 2.79% (For the year-ended 2003 it was 2.62%)

6. Accounts Payable

Accounts payable consist of the following balances:

	(in 000's)	
	2004	2003
Accounts Payable to Third Parties	$ 960	$ 871
Administration Fees Payable to the Public Guardian and Trustee	1,143	1,465
	$ 2,103	$ 2,336

7. Common Fund Earnings Distributions

In April 2004, the Public Guardian and Trustee, set the amount of distributable interest, dividends and capital gains (losses) for the quarter ended March 31, 2004, in the amounts as follows (in 000's): interest $744 (2003 - $800), dividends $59 (2003 - $67), foreign dividends $49 (2003 - $37) and capital gain(loss) $451 (2003 – ($860)). As the investment accounts are stated at market value, these income and loss amounts are included in the financial statements as part of the investment value and the undistributed client equity. These income and loss amounts are distributed to the client equity accounts in April 2004.

8. Related Party Transactions

Administration

In accordance with section 53 of *The Public Guardian and Trustee Act*, all general administrative and employee costs required for the administration of the Office of the Public Guardian and Trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

The Public Guardian and Trustee holds and invests funds for the Victim's Fund established pursuant to *The Victims of Crime Act, 1995*. Earnings are allocated pursuant to sections 5, 6 and 7 of *The Public Guardian and Trustee Regulations*, but no fee pursuant to those regulations is charged.

The trust equity held on behalf of the Victim's Fund, the amount due to the Victim's Fund, and the Common Fund earnings distributed to the Victim's Fund is as follows:

	(in 000's)	
	2004	2003
Trust Equity at March 31	$ 1,485	$ 2,381
Common Fund earnings distributed During the year	$ 73	$ 80
Common Fund earnings to be Distributed in April	$ 19	$ 1

9. Prior Period Restatement

The Public Guardian and Trustee restated its prior year financial statements to record the recovery of amounts that had been incorrectly distributed to clients in the 1999/2000 fiscal year. The Public Guardian and Trustee recovered these amounts and corrected its client's accounts in 2001/2002. However, the Undistributed Earnings and Trust Equity balances reported in its financial statements had not been adjusted to reflect the recovery of these funds.

As a result, the Undistributed Earnings beginning balances for 2003 and 2004 were increased by (in 000's) $2,561 and Trust Equity beginning balances were decreased by the same amount.

10. Comparative Information

Certain 2003 numbers have been reclassified to conform with the current year's presentation.

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

SCHEDULE OF COMMON FUND SECURITIES

FOR THE PERIOD ENDED MARCH 31, SCHEDULE 1

(in 000's)

	2004		2003	
Bonds and Debentures	$	% of Portfolio	$	% of Portfolio
Government of Canada	35,403	30%	29,606	29%
Province of Saskatchewan	1,245	1%	1,420	1%
Other Provinces	13,451	12%	12,905	12%
Corporations	12,965	11%	15,035	14%
Total Bonds and Debentures*	63,064		58,966	
EAFE Pooled Equity Fund	14,154	12%	11,205	11%
Other Equities				
Canadian	16,972	15%	14,115	14%
Foreign	17,014	15%	12,540	12%
Short Term Investments*	5,373	5%	7,002	7%
TOTAL COMMON FUND SECURITIES	$ 116,577		$ 103,828	
Total Canadian Investments	$ 85,409	73%	$ 80,083	77%
Total Foreign Investments	31,168	27%	23,745	23%
TOTAL COMMON FUND SECURITIES	$ 116,577		$ 103,828	

* All investments held are Canadian

PUBLIC GUARDIAN AND TRUSTEE FOR SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

INDIVIDUAL TRUST ASSETS

FOR THE PERIOD ENDED MARCH 31, SCHEDULE 2

(in 000's)

	2004	2003
Accounts Receivables	$ 2,899	$ 2,903
Commodities	68	102
Individual Investments	6,078	4,472
Personal Property and Insurance	2,413	1,966
Real Estate	7,608	7,177
Total Individual Trust Assets	$ 19,066	$ 16,620